

Wednesday, September 12, 2012

The Board met at its offices at 450 N Street, Sacramento, at 10:00 a.m., with Mr. Horton, Chairman, Ms. Steel, Vice Chairwoman, Ms. Yee and Mr. Runner present, Ms. Mandel present on behalf of Mr. Chiang in accordance with Government Code section 7.9.

SPECIAL PRESENTATION

Report from Chris Hill, Principal Program Budget Analyst, Department of Finance

Randy Ferris, Chief Counsel, introduced Chris Hill, Principal Program Budget Analyst, Local Government Unit, Department of Finance (DOF), who presented DOF's process to recover certain redevelopment funds from local agencies and the BOE's certain potential ministerial responsibilities required by statute ([Exhibit 9.1](#)).

Speaker: Iris Yang, Attorney, Best Best & Krieger, representing the town of Apple Valley

Mr. Horton stated that he looks forward to working with all parties to facilitate the objective of the legislation with regards to the BOE's administrative function in this process.

Exhibits to these minutes are incorporated by reference.

CORPORATE FRANCHISE AND PERSONAL INCOME TAXES HEARING

Pacific Coast Building Products, Inc., 514183

Erin Sullivan, 573889

Patricia D. Anderson (Deceased), 573893

Carol Anderson Ward, 573897

John E. Anderson, 573901

David Lucchetti and Christine Lucchetti, 573905

Keith Harris and Mary Harris, 573908

James Anderson and Jacquelyn Anderson, 573911

1999, \$411,759.00 Claimed R&D Credit Amount

2000, \$401,572.00 Claimed R&D Credit Amount

2001, \$625,301.00 Claimed R&D Credit Amount, \$202,491.00 Refund Claimed

2002, \$493,988.00 Claimed R&D Credit Amount, \$160,062.00 Refund Claimed

2003, \$382,705.00 Claimed R&D Credit Amount, \$124,103.00 Refund Claimed

2004, \$395,374.00 Claimed R&D Credit Amount, \$128,149.00 Refund Claimed

For Appellants:

Reed Schreiter, Representative

Jon Sperring, Representative

Dale Puskas, Witness

William Fraser, Witness

Bill Padavona, Former General Manager

Dave Lucchetti, President and CEO

Ken Irwin, Former Tax Director

For Franchise Tax Board:

Jason Riley, Tax Counsel

Ann Hodges, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether appellants have presented evidence sufficient to establish that appellant Pacific Coast Builders, Inc. (PCB) conducted activities that constituted "qualified research" as defined in Internal Revenue Code (IRC) section 41.

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If appellants have established that PCB engaged in “qualified research” as defined in IRC section 41(d), have appellants established that PCB met its burden of proving “qualified research expenses” for the tax years at issue.

Whether appellants have substantiated PCB’s fixed-base percentage, as required by IRC section 41 (c)(3)(A).

Appellant’s Exhibit: Miscellaneous Documents ([Exhibit 9.2](#))

Action: Upon motion of Mr. Runner, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the oral hearing be continued in approximately six months to allow the parties to determine the best approach to an additional audit and the Franchise Tax Board to tour the taxpayer’s facility, followed by exchange of information by the parties and the Appeals Division’s review of that information.

The Board recessed at 1:06 p.m. and reconvened at 2:37 p.m. with Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel present.

SALES AND USE TAX APPEALS HEARINGS

DK Supplies, Inc., 509933 (EA)

4-1-06 to 3-31-09, \$168,676.46 Tax, \$16,867.64 Negligence Penalty

For Petitioner: No Appearance

For Sales and Use Tax Department: Scott Lambert, Hearing Representative

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issue: Whether adjustments are warranted to the disallowed claimed nontaxable sales for resale.

Action: Upon motion of Mr. Horton and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board deferred consideration to the end of the day to allow staff to contact the taxpayer regarding a new hearing date.

Naim Jamali, 448789, 450475, 595326 (BH)

4-1-05 to 12-31-06, \$25,024.88 Tax, \$2,502.48 Negligence Penalty

1-1-04 to 3-31-05, \$4,081.49 Tax, \$408.15 Negligence Penalty, \$408.15 Finality Penalty

For Petitioner/Claimant: Naim Jamali, Taxpayer

Everett (Ted) Grandbois, Representative

For Sales and Use Tax Department: Scott Lambert, Hearing Representative

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the Notice of Determination for the period January 1, 2004, through March 31, 2005, was timely for the first three quarters.

Whether adjustments are warranted to the audited understatements of reported taxable sales.

Whether petitioner was negligent.

Whether relief of the finality penalty is warranted.

Action: Upon motion of Ms. Yee, seconded by Mr. Runner and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition and claim be submitted for decision.

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Khanh Cat Pham, 495973 (GH)

10-1-06 to 3-23-07, \$8,954.46 Tax, \$613.35 Late Payment Penalty

For Petitioner: Khanh Cat Pham, Taxpayer

For Sales and Use Tax Department: Monica Silva, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether petitioner is personally liable as a responsible person for the unpaid liabilities of Home Furniture Gallery, Inc. pursuant to Revenue and Taxation Code section 6829.

Whether taxpayer has established reasonable cause sufficient for relieving the late-payment penalty for the taxes due for the fourth quarter 2006.

Action: Upon motion of Ms. Yee, seconded by Ms. Mandel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition be submitted for decision.

Ms. Mandel requested staff to obtain certain information from the taxpayer about a notice to Home Furniture Gallery, Inc., that was mailed to the taxpayer's address, and that the Appeals Division then provide the information to the Board later in the day.

Karim Mehrabi, 525215, 525216 (KH)

10-1-06 to 12-31-06, \$0.00 Tax, \$256.90 Failure to File Penalty

4-1-07 to 4-19-07, \$3,572.00 Tax, \$401.90 Failure to File Penalty

For Petitioner: Karim Mehrabi, Taxpayer

Azad Amiri, Witness

For Sales and Use Tax Department: Scott Lambert, Hearing Representative

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether petitioner has established that the measure of tax for Case ID 525216 should be reduced.

Whether petitioner has established reasonable cause to be relieved of the failure-to-file penalties.

Whether petitioner has established that some or all of the interest that has accrued should be relieved.

Action: Upon motion of Ms. Yee, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition be submitted for decision.

FINAL ACTION ON SALES AND USE TAX APPEALS HEARINGS HELD SEPTEMBER 12, 2012

Naim Jamali, 448789, 450475, 595326 (BH)

Final Action: Upon motion of Ms. Mandel, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that no further adjustment be made in the administrative protest and that the claim for refund be denied as recommended by the Appeals Division.

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Aircraft Charter and Leasing, LLC, 496438 (UT)

12-2-05, \$27,830.00 Tax, \$0.00 Failure to File Penalty

For Petitioner:

Waived Appearance

For Sales and Use Tax Department:

Kevin Smith, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issue: Whether petitioner has established that its purchase and use of the aircraft was nontaxable.

Action: Upon motion of Ms. Yee, seconded by Ms. Mandel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition be redetermined as recommended by the Appeals Division.

Khanh Cat Pham, 495973 (GH)

Final Action: Upon motion of Ms. Steel, seconded by Ms. Yee and duly carried, Mr. Horton, Ms. Steel, Ms. Yee and Ms. Mandel voting yes, Mr. Runner voting no, the Board ordered that the petition be redetermined as recommended by the Appeals Division. The Board directed staff to inform the taxpayer of the Offer in Compromise program.

Mr. Runner requested that staff review the issue of whether a person can be held liable under section 6829 for tax debts related to a required prepayment when that person is a responsible person at the time the prepayment is due but not later when the return for that quarter is due.

Karim Mehrabi, 525215, 525216 (KH)

Final Action: Mr. Runner moved to calculate the tax liability based upon total taxable sales of the second quarter 2006 and apply it to 2007, instead of using 2009. The motion failed for lack of second.

Upon motion of Ms. Yee, seconded by Mr. Runner and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the audited understatement for April 2007 be reduced to \$150,000, and that the petition otherwise be redetermined as recommended by the Appeals Division.

DK Supplies, Inc., 509933 (EA)

Final Action: Upon motion of Mr. Horton and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board granted the taxpayer's postponement request and ordered that the hearing be postponed to November 2012 in Sacramento as agreed upon by the taxpayer.

ANNOUNCEMENT OF CLOSED SESSION

The Board recessed at 5:17 p.m. and reconvened immediately in closed session with Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel present.

CLOSED SESSION

The Board met to discuss settlements (Rev. & Tax. Code §§ 6901, 7093.5, 30459.1 and 50156.11) and personnel matters (Gov. Code § 11126(a)).

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The Board recessed at 5:24 p.m. and reconvened immediately in open session with Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel present.

The Board adjourned at 5:25 p.m.

The foregoing minutes are adopted by the Board on May 23, 2013.

Note: The following matters were removed from the calendar prior to the meeting: *Roger Chang and Lisa Chang, 487074*; and, *Point of Contact Incorporated, 494400 (CH)*

PENDING APPROVAL

Thursday, September 13, 2012

The Board met at its offices at 450 N Street, Sacramento, at 9:41 a.m., with Mr. Horton, Chairman, Ms. Steel, Vice Chairwoman, Ms. Yee and Mr. Runner present, Ms. Mandel present on behalf of Mr. Chiang in accordance with Government Code section 7.9.

LEGAL APPEALS MATTERS, CONSENT

The Board deferred consideration of the following matters: *Fahd Geham Mubarak, 389949 (KH); Loh Sun International, Inc., Kent La, Nancy La and John La, 480987, 480989, 506428 (ET); and, William Blaine Riggle, 417558, 417559 (FH).*

With respect to the Legal Appeals Matters Consent Agenda, upon a single motion of Ms. Yee, seconded by Mr. Horton and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board made the following orders:

Fahd Geham Mubarak, 389949 (KH)
Action: The Board took no action.

A & E Unlimited, 489647 (BH)
1-1-05 to 12-31-07, \$87,413.01 Tax
Action: Redetermine as recommended by the Appeals Division.

Fereydoon Ansari and Parvaneh Ansari, 507170 (JH)
4-1-04 to 3-31-07, \$2,069.08 Tax
Action: Redetermine as recommended by the Appeals Division.

Alhalimah, Inc., 505079 (KH)
4-1-04 to 3-31-07, \$23,209.68 Tax, \$0.00 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Encino Park Liquor, Inc., 611804 (ET)
April 12, 2012, \$330.00 Approximate Value
Action: Determined that staff properly seized the tobacco products.

Al Rabadi Corporation, 612801 (ET)
April 10, 2012, \$132.09 Approximate Value
Action: Determined that staff properly seized the tobacco products.

Ijaz Corporation, 613438 (ET)
May 1, 2012, \$673.00 Approximate Value
Action: Determined that staff properly seized the tobacco products.

Kyung Ho Min, 609748 (ET)
March 1, 2012, \$2,749.38 Approximate Value
Action: Determined that staff properly seized the tobacco products.

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Hanh Duc Nguyen, 612818 (ET)

April 23, 2012, \$35.95 Approximate Value

Action: Determined that staff properly seized the tobacco products.

Loh Sun International, Inc., Kent La, Nancy La and John La, 480987, 480989, 506428 (ET)

1-1-01 to 6-30-03, \$2,049,540.00 Tax, \$512,385.00 Fraud Penalty

7-1-03 to 7-31-03, \$60,117.00 Tax, \$15,029.25 Fraud Penalty

7-1-03 to 7-31-03, \$113,110.00 Tax, \$33,277.50 Fraud Penalty

Action: The Board took no action.

William Blaine Riggle, 417558, 417559 (FH)

7-1-01 to 8-31-04, \$551,272.00 Tax, \$55,127.20 Late Payment Penalty, \$3,480.10 EFT Penalty, \$6,774.60 EFT Prepayment Penalty

4-1-04 to 7-31-04, \$25,040.46 Tax, \$3,391.20 Late Payment Penalty

Action: The Board took no action.

CORPORATE FRANCHISE AND PERSONAL INCOME TAX MATTERS, CONSENT

With respect to the Corporate Franchise and Personal Income Tax Matters Consent Agenda, upon a single motion of Ms. Steel, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board made the following orders:

Norman Frankfort and Denise Frankfort, 537255

2004, \$355,025.00 Assessment

Action: Sustain the action of the Franchise Tax Board.

Dave Graffam, 563811

2008, \$1,600.00 Tax, \$400.00 Notice and Demand Penalty, \$400.00 Late Filing Penalty

Action: Sustain the action of the Franchise Tax Board and impose a \$2,500.00 frivolous appeal penalty.

Marylyn A. Hagerty, 519277

2003, \$14,445 Assessment

Action: Modify the action of the Franchise Tax Board.

Robert D. Johnston and Deborah L. Johnston, 533644

2006, \$539.00 Assessment

Action: Sustain the action of the Franchise Tax Board.

Brian R. Klinker, 535493

2006, \$1,384.80 Assessment

Action: Sustain the action of the Franchise Tax Board.

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Denise Linda Kramer, 585540

2009, \$985.00 Assessment

Action: Sustain the action of the Franchise Tax Board.

Darryl Mendoza, 550096

2005, \$6,465.00 Assessment

Action: Sustain the action of the Franchise Tax Board.

Vickie Sine, 533583

2005, \$2,901.00 Assessment

Action: Sustain the action with concession by the Franchise Tax Board.

Bingjie Zhao, 576517

2008, \$1,657.00 Assessment

Action: Sustain the action of the Franchise Tax Board.

SALES AND USE TAX MATTERS, REDETERMINATIONS, RELIEF OF PENALTIES AND DENIALS OF CLAIMS FOR REFUND, CONSENT

With respect to the Sales and Use Tax Matters, Redeterminations, Relief of Penalties and Denials of Claims for Refund, Consent Agenda, upon a single motion of Ms. Yee, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, Ms. Mandel not participating in accordance with Government Code section 87105 in *Microsoft Corporation, 611216 (OH)*; *Los Angeles SMSA LTD., 416082 (OH)*; *Los Angeles SMSA LTD., 332060 (OH)*; and, *Los Angeles SMSA LTD., 316926 (OH)*; the Board made the following orders:

Medela, Inc., 577424 (OH)

10-1-06 to 06-30-09, \$194,172.12

Action: Approve the redetermination as recommended by staff.

Marino Sandoval, 533908 (CH)

7-1-06 to 6-30-07, \$127,128.41

Action: Approve the redetermination as recommended by staff.

Marino Sandoval, 533907 (CH)

7-1-06 to 6-30-07, \$104,486.81

Action: Approve the redetermination as recommended by staff.

Awad Manufacturing, Inc., 522212 (AA)

4-1-05 to 3-31-08, \$110,783.78

Action: Approve the redetermination as recommended by staff.

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Microsoft Corporation, 611216 (OH)

1-1-02 to 10-31-05, \$101,923.43

Action: Approve the relief of penalty as recommended by staff. Ms. Mandel not participating in accordance with Government Code section 87105.

Los Angeles SMSA LTD., 416082 (OH)

7-1-04 to 6-30-06, \$144,163.00

Action: Approve the denial of claim for refund as recommended by staff. Ms. Mandel not participating in accordance with Government Code section 87105.

Los Angeles SMSA LTD., 332060 (OH)

4-1-02 to 6-30-04, \$205,578.88

Action: Approve the denial of claim for refund as recommended by staff. Ms. Mandel not participating in accordance with Government Code section 87105.

Los Angeles SMSA LTD., 316926 (OH)

4-1-02 to 6-30-04, \$11,906,813.89

Action: Approve the denial of claim for refund as recommended by staff. Ms. Mandel not participating in accordance with Government Code section 87105.

SALES AND USE TAX MATTERS, CREDITS, CANCELLATIONS AND REFUNDS, CONSENT

With respect to the Sales and Use Tax Matters, Credits, Cancellations and Refunds, Consent Agenda, upon a single motion of Ms. Yee, seconded by Mr. Runner and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board made the following orders:

J.D. Rush Company, Inc., 609492 (AR)

7-1-08 to 6-30-11, \$106,956.41

Action: Approve the refund as recommended by staff.

New United Motor MFG., Inc., 607252 (CH)

10-1-06 to 12-31-11, \$187,862.77

Action: Approve the refund as recommended by staff.

Quebecor World (USA), Inc., 612002 (AA)

1-1-99 to 6-30-03, \$414,664.61

Action: Approve the refund as recommended by staff.

Priority Pallet, Inc., 595716 (EH)

4-1-08 to 3-31-11, \$112,431.69

Action: Approve the refund as recommended by staff.

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LEGAL APPEALS MATTERS, ADJUDICATORY**Zoba International Corporation, 434591 (EH)**

10-1-03 to 9-30-06, \$44,375.16 Tax

Considered by the Board: April 26, 2012,

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Ms. Yee, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition be redetermined as recommended by the Appeals Division.

Paul Glasson, 482541 (CH)

Speaker: Paul Glasson, Taxpayer

10-1-02 to 9-30-05, \$68,330.00 Tax, \$0.00 Negligence Penalty

Considered by the Board: July 26, 2011

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Horton and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered staff to consider all documentation that is available and bring the matter back to the Board with a recommendation at the November 2012 Sacramento Board meeting.

Mr. Horton directed the Taxpayers' Rights Advocate to assist the taxpayer in this matter.

David A. Bartel, 518470 (KH)

7-1-07 to 12-20-07, \$39,422.00 Tax, \$600.00 Failure to File Prepayment Penalty, \$3,942.20 Late Payment Penalty

Considered by the Board: March 20, 2012

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Ms. Yee, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that the petition for rehearing be granted.

Sharon E. Melamed, 516151 (AS)

10-1-04 to 8-30-06, \$198,107.85 Tax, \$22,061.92 Negligence Penalty, \$21,817.57 Finality Penalty

Considered by the Board: Hearing Notice Sent – No Response

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Ms. Yee, seconded by Mr. Horton and duly carried, Mr. Horton, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, Ms. Steel voting no, the Board ordered that the petition be redetermined as recommended by the Appeals Division.

Frangi's Restaurant, Inc., 433581 (AS)

1-1-98 to 9-30-06, \$177,036.72 Tax, \$191,613.21 Fraud Penalty, \$79,447.77 Amnesty Double Fraud Penalty

Considered by the Board: January 31, 2012

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Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Horton, seconded by Ms. Mandel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board ordered that its August 21, 2012 action with respect to the G1. Legal Appeals Matters Consent Agenda, specific to sub-item 4, *Frangi's Restaurant, Inc.*, 433581, which denied the petition for rehearing, be rescinded.

Mr. Horton directed staff to bring the matter back to the Board at the October 2012 Culver City Board meeting.

CORPORATE FRANCHISE AND PERSONAL INCOME TAX MATTER, ADJUDICATORY

Lawrence B. Steinberg and Ellen A. Steinberg, 495475

2007, \$405.12 Claim for Refund

Considered by the Board: January 11, 2012

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Ms. Steel moved to reverse the action of the Franchise Tax Board. The motion was seconded by Mr. Runner but failed to carry, Ms. Steel and Mr. Runner voting yes, Mr. Horton, Ms. Yee and Ms. Mandel voting no.

Upon motion of Ms. Yee, seconded by Ms. Mandel and duly carried, Mr. Horton, Ms. Yee and Ms. Mandel voting yes, Ms. Steel and Mr. Runner voting no, the Board adopted a decision sustaining the action of the Franchise Tax Board.

TAX PROGRAM NONAPPEARANCE MATTERS NOT SUBJECT TO CONTRIBUTION DISCLOSURE STATUTE

LOCAL TAX REALLOCATION MATTER

Cities of Agoura Hills, Alameda, Albany, Bakersfield, Belmont, Berkeley, Beverly Hills, Brisbane, Calabasas, Campbell, Carlsbad, Chula Vista, Clovis, Compton, Cupertino, Daly City, Davis, Delano, Del Mar, East Palo Alto, El Cajon, El Monte, Emeryville, Escondido, Fillmore, Foster City, Fremont, Fresno, Gardena, Gilroy, Half Moon Bay, Hawthorne, Hayward, Kerman, Kingsburg, Los Angeles, Menlo Park, Milpitas, Moreno Valley, Morgan Hill, Palmdale, Palo Alto, Pasadena, Rancho Cordova, Rancho Palos Verdes, Redwood City, Reedley, Ridgecrest, Rolling Hills Estates, Roseville, Sacramento, San Bruno, San Diego, Sanger, San Jose, San Leandro, San Mateo, Santa Clara, Santa Fe Springs, Saratoga, Selma, Shafter, South San Francisco, Torrance, Union City, Westlake Village, West Sacramento, Woodland, Town of Los Gatos, Counties of Los Angeles and Sacramento, and City and County of San Francisco, 469672

6-1-06 to 12-31-11, \$1,955,220.00 Tax

Considered by the Board: Memorandum Opinion

Action: Upon motion of Mr. Horton and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board continued the matter to the November 2012 Sacramento Board meeting.

Note: These minutes are not final until Board approved.

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ADMINISTRATIVE SESSION**ADMINISTRATIVE MATTERS, CONSENT**

With respect to the Administrative Matters, Consent Agenda, upon a single motion of Ms. Mandel, seconded by Mr. Runner and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board made the following orders:

Action: Adopt the following resolutions, extending its sincere and grateful appreciation to the retirees for their dedicated service to the State Board of Equalization and to the State of California, their congratulations on each retiree's well-earned retirement, and best wishes to them and their families for continued success, happiness and good health in the years to come ([Exhibit 9.3](#)).

Howard Eastin, Business Taxes Specialist I, Business Taxes Committee and Training Section, Headquarters

Jacquelyn Lee, Business Taxes Compliance Specialist, Return Analysis Unit, Sales and Use Tax Department

Dorothy B. Tyler-Lewis, Business Taxes Representative, Return Analysis Unit, Sales and Use Tax Department

Action: Adopt the diesel fuel tax rate for interstate users component b of \$0.345 per gallon for calendar year 2013 as recommended by staff ([Exhibit 9.4](#)).

Action: Adopt the Hazardous Substances Program Fees and Occupational Lead Poisoning Prevention fee for calendar year 2013 as recommended by staff ([Exhibit 9.5](#)).

Action: Approve the prepayment rates for sales tax on motor vehicle fuel, diesel fuel and jet fuel as recommended by staff ([Exhibit 9.6](#)).

Action: Approve proposed revisions to Audit Manual Chapter 4, *General Audit Procedures*: section 0405.33, *Use of Prior Audit Percentages*, and section 0435.20, *Audit Procedure*, as recommended by staff ([Exhibit 9.7](#)).

Action: Approve proposed revisions to Compliance Policy and Procedures Manual Chapter 1, *General*, and Chapter 7, *Collections*, as recommended by staff ([Exhibit 9.8](#)).

Action: Approve the Summons to Annual Meeting of the Board and County Assessors as recommended by staff ([Exhibit 9.9](#)).

Exhibits to these minutes are incorporated by reference.

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OTHER ADMINISTRATIVE MATTERS**Executive Director's Report**

Cynthia Bridges, Executive Director, provided a report regarding Board workload inventory and trends for appeals and settlements.

Eric Steen, CROS Project Director, provided a report regarding the progress on the CROS project to replace BOE's two current tax legacy technology systems.

Jeff McGuire, Deputy Director, Sales and Use Tax Department, and David Gau, Deputy Director, Property and Special Taxes Department, presented an executive summary regarding the Efficiency and Effectiveness Initiative ([Exhibit 9.10](#)).

Mr. Horton directed staff to incorporate the Members' input to enhance the document and bring the matter back at a later date.

Property and Special Taxes Deputy Director's Report

David Gau, Deputy Director, Property and Special Taxes Department, provided an update regarding the Fire Prevention Fee Program ([Exhibit 9.11](#)).

Administration Deputy Director's Report

Liz Houser, Deputy Director, Administration Department, provided a facilities update on the Headquarters Building located at 450 N Street, Sacramento. Ms. Houser also provided an update on the relocation of the Fairfield office ([Exhibit 9.12](#)).

Liz Houser, Deputy Director, Administration Department, provided information regarding the Governor's 2012/13 Budget.

Liz Houser, Deputy Director, Administration Department, made introductory remarks regarding the 2013/14 Budget Change Proposal (BCP) No. 6: *Joint Operations Center (JOC) Ensuring Fuels Tax Compliance*, which requests the necessary resources to continue participation in the Joint Operations Center (JOC) for the National Fuel Compliance Project ([Exhibit 9.13](#)).

Action: Upon motion of Ms. Yee, seconded by Ms. Steel and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board approved the BCP No. 6: *Joint Operations Center (JOC) Ensuring Fuels Tax Compliance*, as recommended by staff.

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ADOPTION OF BOARD COMMITTEE REPORTS AND APPROVAL OF COMMITTEE ACTIONS**Customer Services and Administrative Efficiency Committee**

Action: Upon motion of Ms. Steel, seconded by Ms. Yee and unanimously carried, Mr. Horton, Ms. Steel, Ms. Yee, Mr. Runner and Ms. Mandel voting yes, the Board approved the Customer Services and Administrative Efficiency Committee report and the actions therein ([Exhibit 9.14](#)).

The Board adjourned at 11:08 a.m. in memory of Jake Christopher Stevens, U.S. Ambassador to Libya, of Northern California, who passed away Wednesday, September 12, 2012, in an assault on the U.S. consulate in Benghazi, Libya, at the age of 52. Ambassador Stevens was an alumnus of Ms. Yee at the University of California Berkeley and the son of now retired Senior Deputy Attorney General Jan Stevens.

The foregoing minutes are adopted by the Board on May 23, 2013.

Note: The following matters were removed from the calendar prior to the meeting: *Annand Nadir Sliuman, 475771 (FH) and Saad Dawood Pattah, 479619 (FH); and, Richard A. Hall, 533898.*